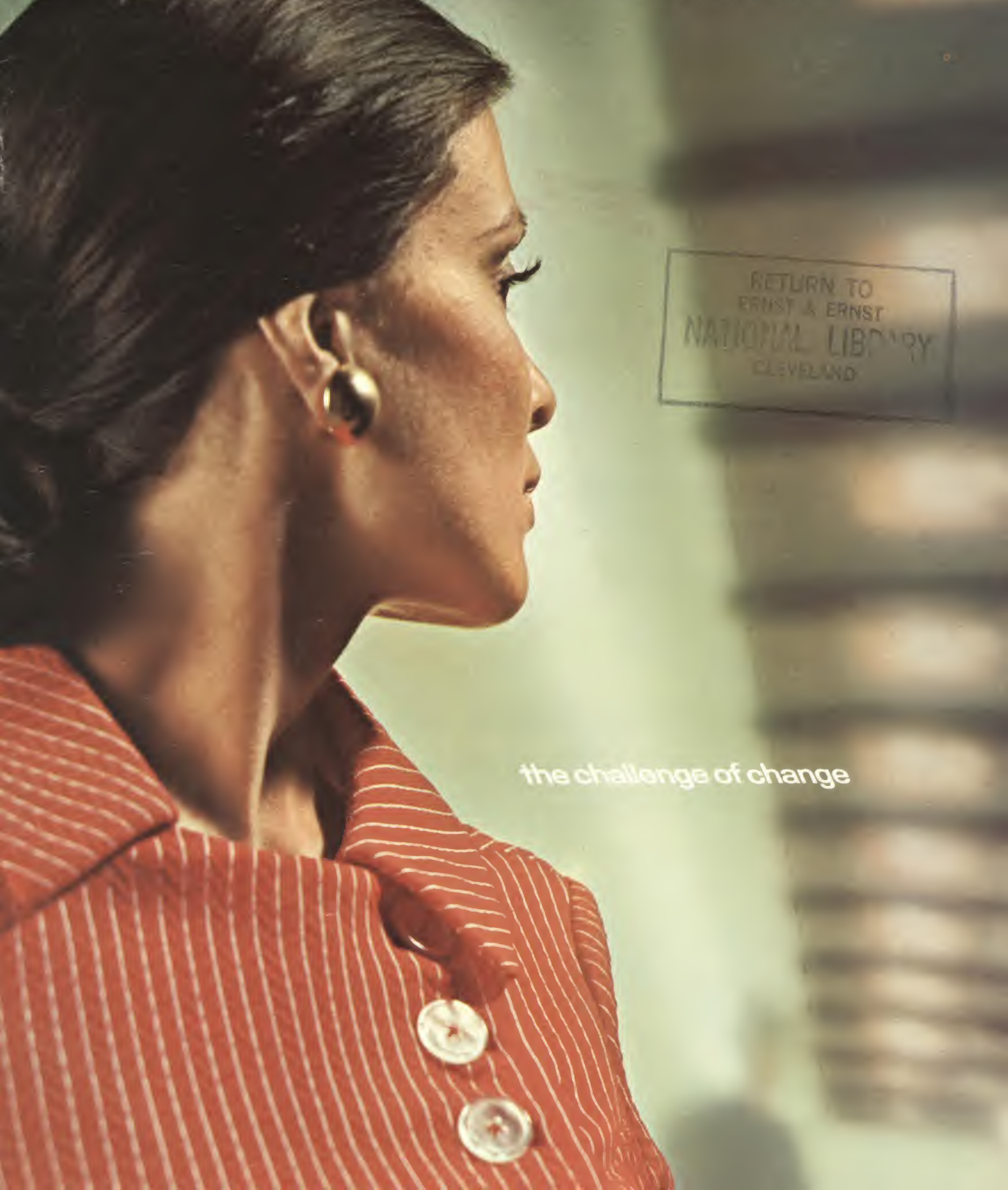
FOOD FAIR STORES, INC./ANNUAL REPORT 1969



the challenge of change

RETURN TO
ERNST & ERNST
NATIONAL LIBRARY
CLEVELAND

THE CHALLENGE OF CHANGE

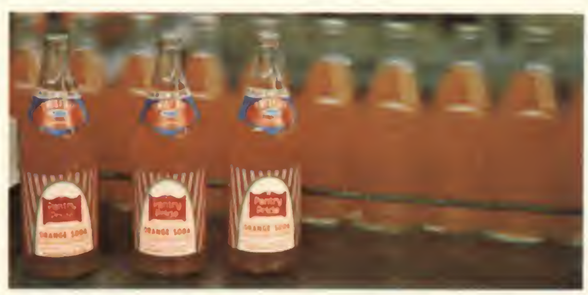
The consumer is judge and jury in the market place.

In the intensely-competitive retail business, she has many stores from which to choose.

To motivate her to cast her vote for one of our stores . . . and then to maintain her shopping loyalty . . . poses a continuing challenge to management. A challenge to our innovative ability, merchandising skill, operational efficiency . . . and our responsiveness to changing consumer tastes and buying patterns.

How effectively we meet the challenge is a measure of our progress.

The results of our efforts in the last fiscal year are reviewed on the following pages.



THE YEAR IN BRIEF

	(53 weeks)	(52 weeks)
FISCAL YEAR	**1969**	**1968**
Sales	**$1,555,431,000**	$1,371,781,000
Income Before Extraordinary Item	**$ 11,382,000**	$ 10,736,000
Extraordinary Item	**$ 680,000**	$ 61,000
Net Income	**$ 12,062,000**	$ 10,797,000
Per Share of Common Stock:		
Income Before Extraordinary Item	**$ 1.57**	$ 1.48
Extraordinary Item	**$ .09**	$ .01
Net Income	**$ 1.66**	$ 1.49
Dividends Paid in Cash:		
Preferred Stock	**$ 154,000**	$ 161,000
Common Stock	**$ 6,448,000**	$ 6,434,000
Earnings Retained in the Business	**$ 5,460,000**	$ 4,202,000
Current Assets	**$ 210,237,000**	$ 186,629,000
Current Liabilities	**$ 112,504,000**	$ 97,254,000
Working Capital	**$ 97,733,000**	$ 89,375,000

TO OUR SHAREHOLDERS:

We are pleased to report that net income increased 12% and sales rose 13% to a record high in the last fiscal year.

Net income of $12,062,000 was equal to $1.66 a common share, compared with $10,797,000 or $1.49 a share the year before. Comparative figures include an extraordinary item of $680,000, or nine cents a share, in fiscal 1969 and $61,000, or one cent a share, the year before.

These extraordinary items result from a change in the method of reporting the tax loss carryovers of certain subsidiaries. In conformity with new accounting principles, these tax benefits, which had previously been deducted from current taxes, are now credited as an extraordinary item.

Sales climbed to $1,555,431,000 over the preceding year's $1,371,781,000, continuing our Company's unbroken record of year-to-year sales growth.

The excellent performance of our discount food operation and our department store division, coupled with effective cost control measures and greater efficiency of operation, produced the results noted above.

In the manufacturing and processing area, we continued to expand our operations. A plant was opened in Philadelphia for the canning and bottling of soft drinks. We also purchased and extensively remodeled a meat slaughtering plant in Denver, Colo., where operations were begun recently.

During the year, corporate organization changes were made which give area management greater authority and responsibility and permit prompt response to changing competitive conditions.

Personnel whose performance and aptitude indicate potential for greater managerial responsibility have been receiving special training, both on the job and through attendance at management seminars.

Just as we must gear our organization to meet the competitive challenge of change, so, too, must we be responsive to the social developments around us. In this area, we have taken specific steps to provide both financial and personnel assistance for a variety of programs designed to help disadvantaged minority groups. This aid has been in support of general community projects, as well as in the area of job opportunities and development within our Company.

We may all take satisfaction in the sales and earnings growth achieved in the last fiscal year. This performance represents the cumulative effort of our 30,000 co-workers in serving millions of American consumers, with direction and guidance of our officers and directors.

In this connection, we note with sorrow the recent death of Harold W. Scott, who served our Company as a Director for 30 years. Mr. Scott, retired senior vice president of the First Pennsylvania Banking and Trust Company, was a most valued and trusted counselor during this period of great growth.

Another Director, General of the Army Omar N. Bradley, distinguished military leader and Chairman of the Board of the Bulova Watch Company, Inc., has asked that he not be slated for re-election, because of his many business commitments and the special assignments he has been asked to perform in the service of our nation. We are acceding to his request regretfully and with deep appreciation of his services over the last 10 years.

In the year ahead, we plan to open 40 new food stores, close a number of older units and have approximately 585 supermarkets in operation at year end. We shall continue our program of selective conversion of conventional supermarkets to discounting operations and add nine new J. M. Fields department stores.

We believe our Company has charted a course which will lead to continued sales and earnings growth, building on the excellent record compiled in the year just past.

Sincerely,

Louis Stein

Louis Stein
Chairman of the Board

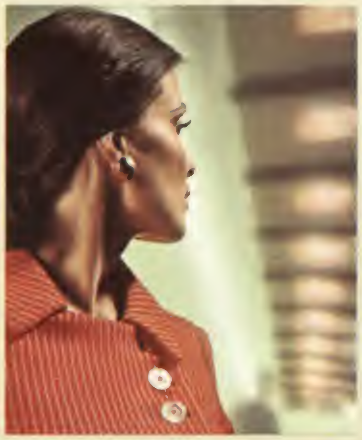
Jack Friedland

Jack Friedland
President

July 25, 1969

LOUIS STEIN

JACK FRIEDLAND



HIGHLIGHTS OF THE YEAR

Supermarket Operations

The conversion of select stores to discounting operations was accelerated as a result of favorable consumer acceptance of this merchandising program first initiated three years ago. Forty-six stores were converted during the year. In addition, 28 of the 31 new stores opened were of the discount type. These Pantry Pride and Food Fair Quality/Discount stores today account for the major part of our food store sales. Twenty-one outmoded stores were closed during the year.

In today's inflationary economy, we have intensified our efforts to reduce costs and increase operating efficiency at all levels of operations. Progress has been made, particularly through improved work scheduling. This has been the result of exhaustive and detailed studies of each job in the supermarket and in other operating areas.

Advances in electronic communication have also been important, making possible delivery of merchandise to stores within 24 hours of being ordered. More frequent and speedy deliveries have meant less inventory required in store backrooms.

In its physical dimension, the supermarket continues to grow. In order to accommodate an increasing flow of food and household items, our new units average 20,000 square feet of sales area compared to 14,000 square feet only a few years ago.

There has been a trend toward the incorporation of specialty departments within the overall store. Increasingly, service appetizing departments offering a variety of freshly-sliced meat, cheese, salads, prepared foods and fish items have become mini-shops within the larger units.

The health and beauty aids and housewares departments are being expanded both as to number of items offered for sale and display space accorded to them.

Recently, we have been testing in several markets service bakery departments with the merchandise baked on the premises and take-home prepared foods departments featuring barbecued chicken and spareribs.

These new additions to the supermarket expand the services available to consumers and offer better-than-average profit opportunities for the Company.

Manufacturing and Processing

A modern beverage plant for the bottling and canning of soft drinks was placed in operation in February. The fully-automated Boulevard Beverage plant in Philadelphia marks another significant forward step in the expansion of our manufacturing and processing operations.

Maintaining strict quality control standards, the beverage plant is producing 10 flavors in the regular sweetened line and eight low-calorie flavors. The soft drinks are available in 12-ounce cans and 16- and 28-ounce disposable bottles with twist-off, reclosable caps. The quality beverages are being produced under the Food Fair and Pantry Pride labels.

The new facility joins our Hygrade Bakery in Pennsville, N. J., which produces peanut butter, pretzels, potato chips, cookies and nutmeats.

During the year, we extensively remodeled and began operations in May at a meat slaughtering plant we had purchased a year ago in Denver, Colo. The new facility, known as United Packing Company, replaced an older plant, United Fryer & Stillman, Inc., which we had operated in Denver.

The remodeled plant uses the most modern materials handling methods and the latest equipment for efficient meat processing.

The Denver facility is one of three slaughtering plants we operate. The others are the Allen Packing Company, Elizabeth, N. J., and the Midtown Veal and Mutton Co., Newark, N. J.

J. M. Fields

New sales and earnings records were set by our J. M. Fields department stores in the last fiscal year. Our mercantile division is establishing itself as a leader in the quality discount department store field.

Four new stores were opened during the year and one older unit closed. At year end, there were 63 J. M. Fields stores in 11 states along the eastern seaboard.

The new stores, with average sales areas of 80,000 square feet, are tastefully decorated and feature more expanded lines and better quality merchandise. Wherever possible the department store is linked with a Food Fair or Pantry Pride supermarket. Their combined sales area is in excess of 100,000 square feet.

The success of our J. M. Fields stores has prompted an accelerated expansion program which should see a doubling of the number of units in the next five years.

In preparation for this growth, J. M. Fields has expanded its distribution facilities, augmented its merchandising staff and is utilizing to a greater degree the modern facilities of our data processing center. The New York buying offices have relocated to expanded quarters in Manhattan.

The same concept which guides our supermarket merchandising policy is reflected in our department stores. The stores are essentially self-service with merchandise priced at significant savings to shoppers.

During the year, Jacob I. Gottlieb was promoted to president of J. M. Fields. Mr. Gottlieb had served as executive vice president for three years.

Food Fair Properties

In 1968, for the second consecutive year, Food Fair Properties, Inc., the shopping center and real estate development company in which we have a 40% interest, established new records in every significant phase of its operations—net income, total income, cash flow, rental income and income from shopping center operations.

Cash flow, which consists of net income, plus depreciation and deferred taxes on income, increased by 19% to $4,358,000. Cash flow, one of the most important yardsticks used to evaluate the performance of a real estate development company, measures both the company's ability to meet its debt obligations and to generate funds for future growth.

Net income for the year increased by 39% to $628,000.

Properties presently has 45 shopping centers in full operation with gross rentable area of approximately 7,100,000 square feet.

Construction is well under way for New Jersey's largest urban renewal project, Gateway, in downtown Newark, for which Properties is serving as developer. Included in the first phase of development, scheduled for completion in 1970, is a 30-story office building of 500,000 square feet, a 10-story motor hotel and a three-level underground parking garage. Properties will own and operate the motel under a franchise agreement with The Downtowner Corporation. In the second phase of development, construction will begin this summer of a 19-story, 800,000 square-foot office building. Western Electric has signed a long-term lease for this building which is scheduled for completion in 1971.

Ideal Shoe Company

Our Ideal Shoe Company subsidiary operates leased shoe departments in 87 retail outlets throughout the U. S. including J. M. Fields stores. Ideal Shoe sales have been climbing steadily. Today the company ranks among the top 25 retail shoe firms in the country.

To more efficiently handle its growing needs, ground was broken in February for a 120,000-square-foot distribution center, which is expected to be completed this summer. The new center, replacing Ideal Shoe's present warehouse, will enable much faster processing and more economical distribution of merchandise to its departments.

During the year, Leonard J. Pasternak was promoted to president of Ideal Shoe. Mr. Pasternak had been executive vice president of the shoe company for the last four years.

Washington Square Life Insurance Co.

This subsidiary has continued to receive an ever wider acceptance in the sale of life insurance, accident and health policies, and annuities.

The company is licensed in New Jersey, Pennsylvania, Delaware, Florida, Virginia and Maryland. It is anticipated that the scope of operations will be expanded through admission to other states in the coming year.

Washington Square specializes in employe benefit programs through payroll deduction, a salary-savings method of premium payments.

Computer Operations

Computer operations were centralized in a new Data Center situated at corporate headquarters in Philadelphia. The Center has been equipped with the latest IBM 360 computers which will permit faster and more efficient inventory control, merchandise ordering, billing, and preparation of sales and profit reports.

In addition to the expeditious handling of routine operations, the computers will be utilized for more sophisticated purposes as a management aid in such areas as capital budget forecasting, store site selection and in the operation of a total management information system.

Fiscal Year Change

The fiscal year end has been changed to the Saturday nearest to July 31 in each year. The new fiscal year will begin August 3, 1969, and will run through Aug. 1, 1970.

The change was made because the end of July, for our total retailing complex, is a more appropriate time for stock taking, just before the start of the new selling season.

Annual Meeting

The annual meeting of shareholders of Food Fair Stores, Inc., will be held Tuesday, August 19, 1969, at 2 P.M., local time, in the Burgundy Room of the Bellevue Stratford Hotel, Broad and Walnut Sts., Phila. Shareholders are cordially invited to attend.

A


Pantry Pride
Pantry Pride
SAVES YOU MORE
QUALITY YOU CAN TRUST

B

E

C

D

SUPERMARKETS

Changes in the supermarket today are reflected in photos on these pages.

The meat department is attractively showcased for maximum merchandising appeal (A,B). See-through windows allow shoppers to observe backroom cutting, weighing and packaging operations.

The health and beauty aids and housewares sections (C,D) have been substantially expanded. Service department featuring ready-to-eat barbecued chickens and spareribs is now being tested (E).

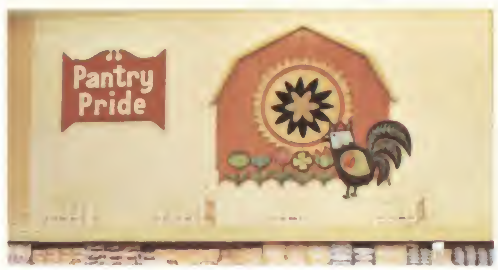
Exotic and gourmet items are displayed in a distinctive setting (F). The appetizing department (G,H) has become a mini-shop within the larger market.

On-premises bakery (I) is another new consumer service under test. Attractive store decor (J,K) adds to shopping pleasure.

F

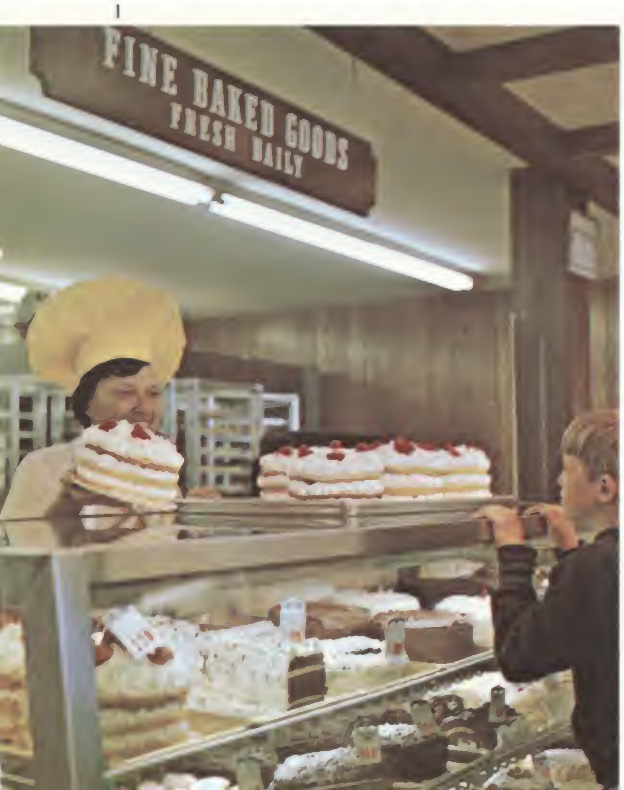
G

H



J

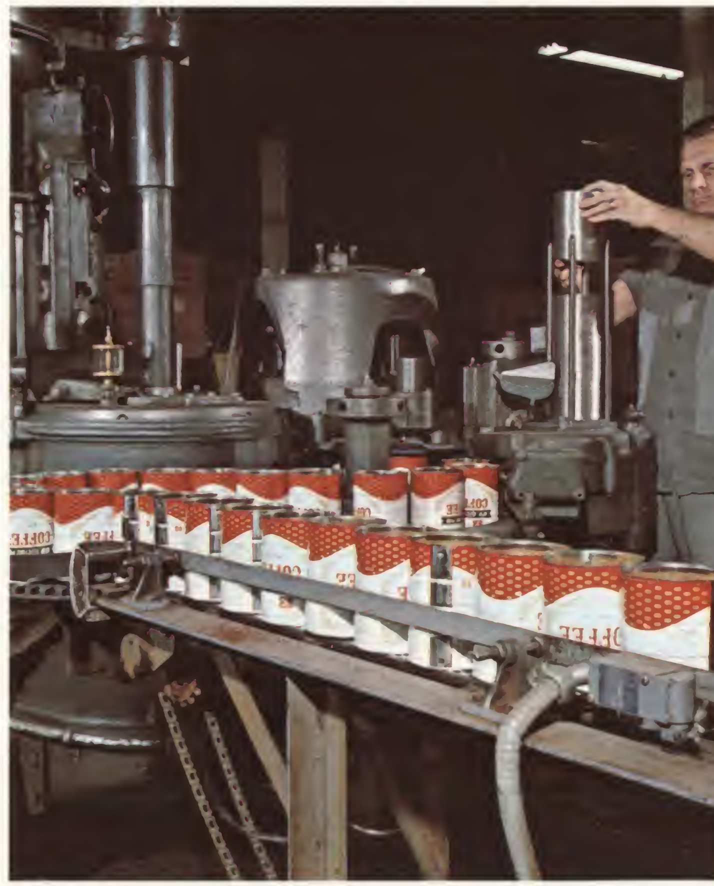
I



K

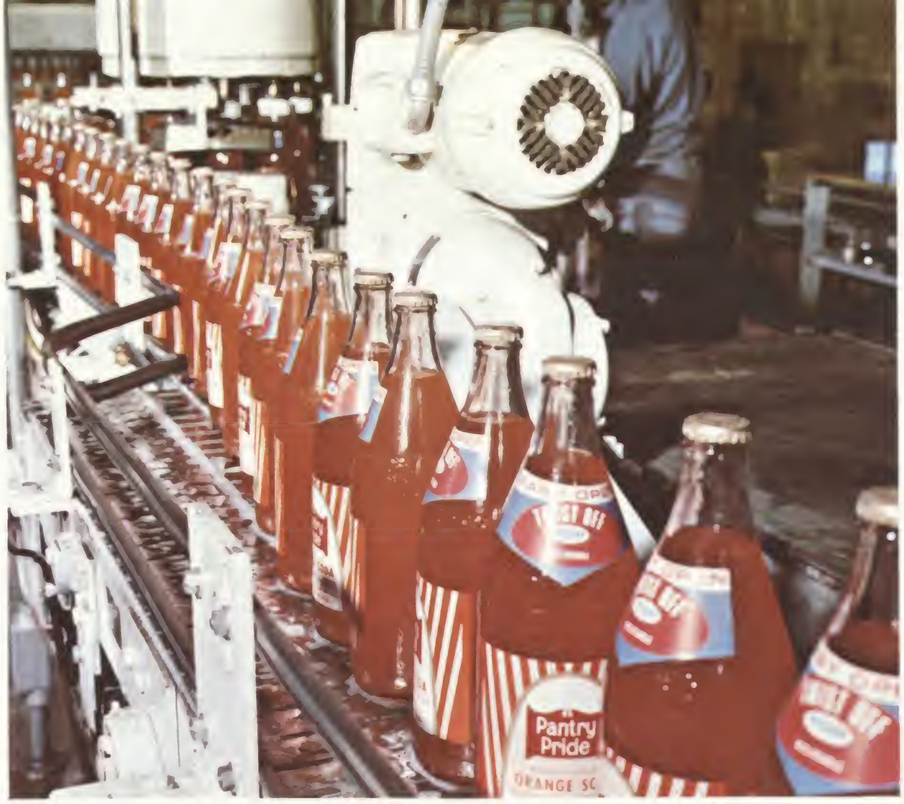

PEANUTS


COFFEE
Pantry Pride
Supreme




potato chips
hygrade
Golden Crisp


hygrade
Golden Crisp
potato chips



MANUFACTURING OPERATIONS

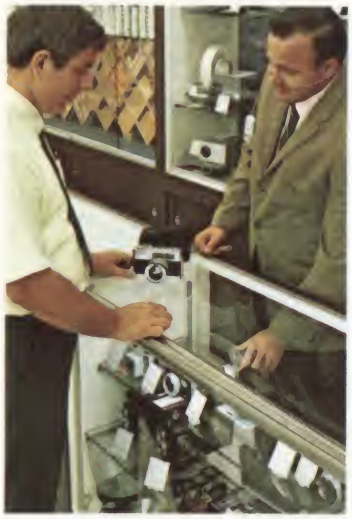
Production of soft drinks at a modern canning and bottling plant in Phila. marked another significant forward step in our manufacturing operations.

The bottled and canned beverages are produced in a modern, automated 80,000 square-foot plant.

Photos taken at the plant and of the beverages as they appear on supermarket shelves are shown on this page.

On the opposite page are other products which we manufacture. Potato chips, pretzels, peanut butter, nutmeats and cookies, sold under the Company's labels, are products of our Hygrade plant in Pennsville, N.J.

Food Fair and Pantry Pride coffee are roasted and packaged at our plant in Phila.

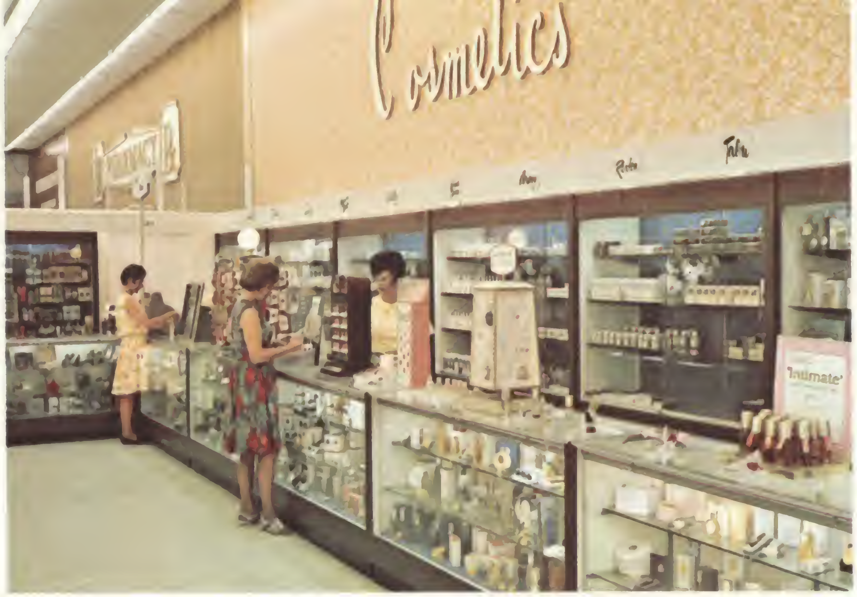


J.M. FIELDS DEPARTMENT STORES

There are 63 J.M. Fields department stores operating in 11 states along the eastern seaboard. A major expansion program is underway, as a result of excellent consumer response to these "quality discount" stores.

In preparation for this growth, J.M. Fields has expanded its distribution facilities, augmented its merchandising staff and relocated its buying offices to more spacious quarters.

Photos on these pages were taken in a recently-opened unit in Augusta, Ga., typical of the new J.M. Fields store being built today.


Cosmetics
Intimate


MEN'S WEAR


DOMESTICS


CAMERAS
LUGGAGE

STATISTICAL SUMMARY *Food Fair Stores, Inc. and Subsidiaries*

(all dollar figures are in thousands)

Year Ended	Stores at Year-End	Sales	Net Income	Cash Dividends	Earnings Retained
May 3, 1969*	**633**	**$1,555,431**	**$12,062†**	**$6,602**	**$5,460**
April 27, 1968	620	1,371,781	10,797†	6,595	4,202
April 29, 1967	630	1,296,621	12,031†	6,606	5,425
April 30, 1966	615	1,204,520	12,504†	6,573	5,931
May 1, 1965	587	1,119,640	9,236†	6,516	2,720
May 2, 1964*	577	1,105,394	10,034†	6,507	3,527
April 27, 1963	551	1,003,344	10,370	6,500	3,870
April 28, 1962	504	923,224	11,055	6,279	4,776
April 29, 1961	437	840,180	11,865	5,647	6,218
April 30, 1960	404	771,172	11,395	5,528	5,867

**53 weeks*
†Includes Extraordinary Items of $680,000 in 1969, $61,000 in 1968, $2,730,000 in 1967, $2,046,000 in 1966, $482,000 in 1965, and $2,678,000 in 1964.
(Restated, see Note 6 to financial statements)

Consolidated Statement of
INCOME *Food Fair Stores, Inc. and Subsidiaries*

	53 weeks ended May 3, 1969	52 weeks ended April 27,1968
Sales	**$1,555,431,000**	$1,371,781,000
Cost of sales	**1,251,185,000**	1,101,004,000
Gross profit	**304,246,000**	270,777,000
Operating expenses	**280,589,000**	248,165,000
Income from operations	**23,657,000**	22,612,000
Other income	**2,223,000**	1,506,000
Income before interest expense	**25,880,000**	24,118,000
Interest expense	**5,365,000**	4,663,000
Income before taxes on income and extraordinary item	**20,515,000**	19,455,000
Taxes on income (Note 5)	**9,133,000**	8,719,000
Income before extraordinary item	**11,382,000**	10,736,000
Extraordinary item (Note 6)	**680,000**	61,000
Net income	**$ 12,062,000**	$ 10,797,000
Income per share of common stock:		
Before extraordinary item	**$1.57**	$1.48
Extraordinary item	**.09**	.01
Net income	**$1.66**	$1.49

See notes to financial statements.

Consolidated Statement of
RETAINED EARNINGS *Food Fair Stores, Inc. and Subsidiaries*

	53 weeks ended May 3, 1969	52 weeks ended April 27, 1968
Balance at beginning of period	**$ 65,725,000**	$ 61,523,000
Net income for the period	**12,062,000**	10,797,000
	77,787,000	72,320,000
Deduct:		
Cash dividends:		
Preferred stock	**154,000**	161,000
Common stock	**6,448,000**	6,434,000
	6,602,000	6,595,000
Balance at end of period	**$ 71,185,000**	$ 65,725,000

See notes to financial statements.

Consolidated Statement of

FINANCIAL CONDITION *Food Fair Stores, Inc. and Subsidiaries*

ASSETS	May 3, 1969	April 27, 1968
Current assets:		
Cash	$ 17,766,000	$ 18,152,000
Marketable securities, at cost	507,000	564,000
Accounts receivable	43,523,000	32,114,000
Inventories, at lower of cost or market	138,009,000	130,416,000
Prepaid expenses	8,026,000	5,182,000
Real estate in the process of development and sale, net of payments received on account; 1969, $5,937,000; 1968, $6,417,000	2,406,000	201,000
Total current assets	210,237,000	186,629,000
Investments, at cost:		
Capital stock, Food Fair Properties, Inc.	4,244,000	4,244,000
Other (Note 1)	5,482,000	5,753,000
	9,726,000	9,997,000
Property, plant and equipment, at cost:		
Land	12,514,000	10,586,000
Buildings and improvements	43,928,000	40,892,000
Fixtures and equipment	107,383,000	98,554,000
	163,825,000	150,032,000
Less accumulated depreciation	65,933,000	61,452,000
	97,892,000	88,580,000
Other assets:		
Prepaid expenses, not current	3,980,000	4,762,000
Miscellaneous	821,000	870,000
	4,801,000	5,632,000
	$322,656,000	$290,838,000

LIABILITIES AND SHAREHOLDERS' EQUITY	May 3, 1969	April 27, 1968
Current liabilities:		
Notes payable	$ 24,854,000	$ 16,670,000
Accounts payable	52,837,000	44,853,000
Accrued salaries and expenses	27,090,000	26,454,000
Current portion of long-term debt (Note 2)	3,058,000	3,624,000
Federal and state taxes on income	4,665,000	5,653,000
Total current liabilities	112,504,000	97,254,000
Long-term debt, due after one year (Note 2)	76,190,000	67,372,000
Liability for redemption of trading stamps, less portion included in accrued expenses	1,850,000	2,050,000
Deferred Federal income taxes	8,114,000	7,006,000
Shareholders' equity:		
Preferred stock (Note 3)	3,195,000	3,813,000
Common stock (Note 4)	49,618,000	47,618,000
Retained earnings (Note 2)	71,185,000	65,725,000
	123,998,000	117,156,000
	$322,656,000	$290,838,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the financial statements as at May 3, 1969. Reference is made to previously issued report for the notes applicable to the statements as at April 27, 1968.

Note 1

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, except its wholly-owned life insurance company. Investments in this subsidiary and in 50% owned companies are stated at the Company's equity in net assets, and the Company's share of the net income and losses of such companies is included in the consolidated statement of income.

Note 2

Long-term debt at May 3, 1969 is as follows:

	Rate	Due within one year	Due after one year	Final maturity
Banks	5-8%	$2,109,000	$42,169,000	1969-1975
Mortgages	3.2-7.5%	484,000	3,282,000	1970-1986
Sinking fund debentures	3.375%		11,170,000	1974
Subordinated debentures, net of bonds in treasury of $1,585,000	4%		17,745,000	1979
Other	0-7.25%	465,000	1,824,000	1969-1985
		$3,058,000	$76,190,000	

Sinking fund debentures require semi-annual sinking fund payments of $500,000 through March 1, 1974. The sinking fund requirements for the year ending May 2, 1970 have been anticipated.

Subordinated debentures require annual sinking fund payments of $966,500 beginning April 1, 1970. The sinking fund requirements for the year ending May 2, 1970 have been anticipated.

The indentures covering the issuance of the debentures described above contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the Company. The maximum amount of retained earnings so restricted at May 3, 1969, was $38,068,000.

Note 3

Preferred stock is $4.20 cumulative, $15 par; 108,190 shares are authorized, of which 31,955 are issued and outstanding. The Company is obligated to set aside $120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at $100 per share plus accrued dividends.

Note 4

Common stock is $1 par; 10,000,000 shares are authorized, of which 7,220,532 are issued, 400 are held in the Company's treasury and 7,220,132 are outstanding.

Common stock account transactions of the Company during the year were as follows:

Balance, April 27, 1968	$47,618,000
Issuance of 54,766 shares of common stock for 4% convertible subordinated debentures	1,804,000
Issuance of 1,984 shares of common stock under employees' stock option plans	40,000
Excess of stated value over cost of 6,170 shares of cumulative preferred stock retired	156,000
Balance, May 3, 1969	$49,618,000

At May 3, 1969, the following options, granted to certain employees and officers, to purchase 265,346 shares of common stock, at 100% of the market price on the dates the options were granted, were outstanding:

226,996 shares at $21.81 per share, exercisable on a cumulative basis to December 7, 1970;

8,600 shares at $23.63 per share, exercisable on a cumulative basis to December 10, 1970;

29,750 shares at $22.00 per share, exercisable on a cumulative basis to April 16, 1974.

Note 5

Taxes on income are comprised of the following:

	53 weeks ended May 3, 1969	52 weeks ended April 27, 1968
Federal:		
Current	$8,007,000	$6,217,000
Investment credit	(743,000)	(367,000)
Deferred	1,133,000	2,262,000
State	736,000	607,000
	$9,133,000	$8,719,000

Note 6

In conformity with the requirements of Accounting Principles Board Opinion No. 11, the tax benefits of net operating loss carryovers relating to certain subsidiaries which previously had been deducted from the current tax provision, are now credited as an extraordinary item. For comparative purposes, and without affecting net income, the appropriate accounts have been restated for the fifty-two weeks ended April 27, 1968.

Note 7

As a result of its examination of the Companies' Federal income tax returns for the year ended April 30, 1963, the Internal Revenue Service has proposed deficiencies in tax, which the Companies are protesting. In the opinion of management, based on advice of tax counsel, the final net additional tax, will not have a material effect on shareholders' equity.

Note 8

The Company rents the majority of the premises occupied. At May 3, 1969, the minimum annual rental for such premises under 677 leases expiring more than three years after that date amounted to approximately $25,900,000 plus, in some instances, certain taxes, insurance and other expenses.

Consolidated Statement of

SOURCE AND USE OF FUNDS *Food Fair Stores, Inc. and Subsidiaries*

	53 weeks ended May 3, 1969	52 weeks ended April 27, 1968
Source of funds:		
Net income	**$12,062,000**	$10,797,000
Depreciation (straight-line method)	**12,761,000**	12,172,000
Increase in long-term debt	**10,621,000**	851,000
Increase in deferred Federal income taxes	**1,108,000**	2,027,000
Decrease in other assets	**831,000**	—
Decrease in investments	**271,000**	—
Other items	**—**	3,000
	37,654,000	25,850,000
Use of funds:		
Cash dividends	**6,602,000**	6,595,000
Property, plant and equipment additions, net	**22,074,000**	12,659,000
Increase in other assets	**—**	294,000
Increase in investments	**—**	183,000
Retirement of preferred stock	**460,000**	104,000
Other items	**160,000**	—
	29,296,000	19,835,000
Increase in working capital	**$ 8,358,000**	$ 6,015,000

LAVENTHOL KREKSTEIN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

1528 WALNUT STREET
PHILADELPHIA PA 19102
215-735-6500

OFFICES THROUGHOUT THE WORLD

To the Board of Directors and Shareholders
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and Subsidiaries at May 3, 1969 and the related consolidated statements of income, retained earnings and source and use of funds for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Subsidiaries for the fifty-two weeks ended April 27, 1968.

In our opinion, the accompanying consolidated statements of financial condition, income and retained earnings present fairly the financial position of Food Fair Stores, Inc. and Subsidiaries at May 3, 1969 and April 27, 1968 and the results of their operations for the fifty-three week and fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the accompanying consolidated statement of source and use of funds presents fairly the information shown therein.

Laventhol Krekstein Horwath & Horwath

June 30, 1969

DIRECTORS

D. FREDERICK BARTON
Partner, Eastman Dillon, Union Securities & Co.

GEN OMAR N. BRADLEY
Chairman
Bulova Watch Co.

GEORGE FRIEDLAND
Former Vice Chairman and President

JACK FRIEDLAND
President

SAMUEL FRIEDLAND
Chairman of the Executive Committee

HESS KLINE
Former Vice President and Treasurer

SAMUEL P. MANDELL
Vice President

MYER B. MARCUS
Vice Chairman of the Board

ARTHUR S. ROSENBERG
Senior Vice President

*HAROLD W. SCOTT
Financial Consultant

HERMAN R. SILVER
Vice President

LOUIS STEIN
Chairman of the Board

W. PAUL STILLMAN
Chairman
The First National State Bank of New Jersey

*Deceased, June 18, 1969

OFFICERS

LOUIS STEIN
Chairman of the Board
Chief Executive Officer

MYER B. MARCUS
Vice Chairman of the Board

JACK FRIEDLAND
President

ARTHUR S. ROSENBERG
Senior Vice President

DAVID T. FRIEDLAND
Vice President
Director of Store Operations

HAROLD FRIEDLAND
Vice President
Director of Buying and Merchandising

J. ARVID JONSSON
Vice President
Director of Industrial Relations

SAMUEL P. MANDELL
Vice President
Director of Manufacturing

HARRY PRIPSTEIN
Vice President
Director of Grocery Buying and Merchandising

JOSEPH H. RASH
Vice President
Director of Maryland and Virginia Operations

HERMAN R. SILVER
Vice President
Director of Meat Operations

B. F. LIEBER
Secretary and Treasurer

SAMUEL FORMAN
Assistant Secretary

HOWARD S. JACOBSEN
Assistant Secretary

LEO DICANDILO
Assistant Secretary

EXECUTIVE OFFICES • 3175 John F. Kennedy Blvd., Philadelphia, Pennsylvania 19101

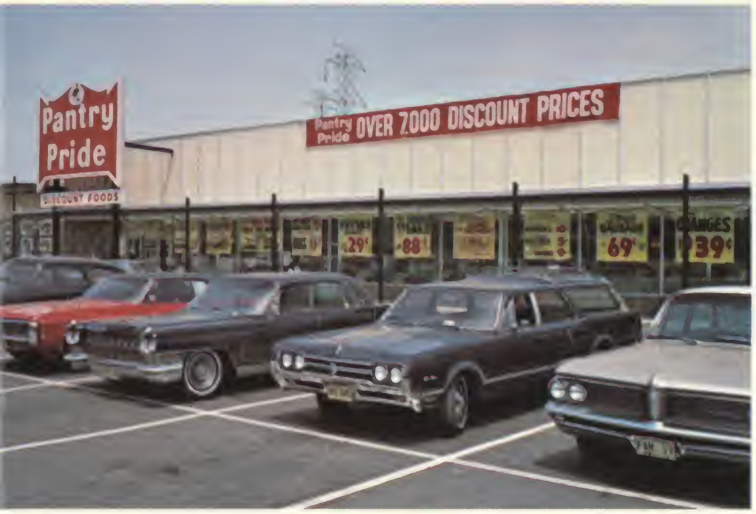
GENERAL COUNSEL • Stein Abrams & Rosen, New York, New York

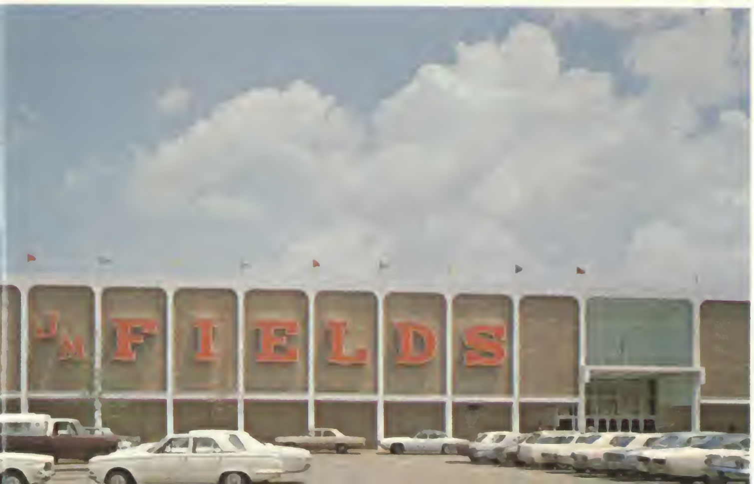
TRANSFER AGENT • Registrar & Transfer Company, New York, New York

REGISTRAR • The Chase Manhattan Bank N.A., New York, New York

CERTIFIED PUBLIC ACCOUNTANTS • Laventhol Krekstein Horwath & Horwath, Philadelphia, Pennsylvania

Food Fair Stores, Inc. preferred stock and common stock are fully listed on the New York, Pacific Coast, and Philadelphia-Baltimore-Washington stock exchanges.





FOOD FAIR STORES, INC.

as of May 3, 1969

STATE	FOOD UNITS	DEPARTMENT STORES
CALIFORNIA	39	–
CONNECTICUT	22	3
DELAWARE	9	–
FLORIDA	157	24
GEORGIA	7	3
MARYLAND	56	–
MASSACHUSETTS	–	10
NEVADA	7	–
NEW HAMPSHIRE	–	4
NEW JERSEY	82	4
NEW YORK	70	7
NORTH CAROLINA	–	1
PENNSYLVANIA	97	1
RHODE ISLAND	1	–
SOUTH CAROLINA	2	4
VIRGINIA	21	2
TOTAL	570	63